

AR48





Cominco is a Canadian company with international operations whose principal business is zinc and lead. Its involvement is fully integrated and ranges from mineral exploration through mining, smelting, refining and by-product production to international marketing. It also embraces related services including trade, wharfage and power. With head office in Vancouver, it is involved, directly or through subsidiary or associated companies, in activities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and the Northwest Territories in Canada and in the United States, Greenland, Europe, Australia, India and Japan.

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TRANSFER AGENTS AND REGISTRARS

THE ROYAL TRUST COMPANY

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 Toronto Dominion Centre, Toronto, Ontario M5W 1P9
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BANK OF MONTREAL TRUST COMPANY

2 Wall Street, New York, N.Y. 10005 **

STOCK EXCHANGES

CANADA	U.S.A.
Vancouver, Montreal, Toronto	American **

- * Preferred Shares Only
- ** Common Shares Only

ANNUAL MEETING — 1977

Thursday, April 21, 1977
 at 11:00 a.m.
 Hotel Vancouver
 Vancouver, B.C.

For Canadian capital gain tax purposes the valuation day value of Cominco Ltd. shares on December 22, 1971 as established by the Department of National Revenue was \$22.88.

In this report:
 Tonnage figures are in short tons unless otherwise noted.
 Dollars are Canadian unless otherwise noted.

Highlights — 5 Year

(all dollar amounts in millions except per share figures)

OPERATIONS	1976	1975	1974	1973	1972
Sales of products and services	\$725.0	\$707.3	\$735.2	\$514.0	\$372.9
Net earnings	47.7	73.6	86.3	42.8	20.0
— per common share	2.66	4.34	5.08	2.52	1.19
Funds from operations	108.6	146.5	160.6	97.5	63.6
— per common share	6.39	8.63	9.56	5.75	3.75
Dividends on common shares	34.0	50.9	50.9	21.2	13.5
— per common share	2.00	3.00	3.00	1.25	0.80
Capital expenditures	147.6	125.6	88.7	64.8	55.6
Employment (Excluding associated companies)					
Employment cost	200.0	184.6	135.4*	123.5	111.1
Number of employees	10,696	10,887	11,521	10,495	10,138
FINANCIAL POSITION					
Assets employed:					
Working capital	\$202.2	\$199.1	\$160.4	\$156.1	\$106.9
Fixed assets (net)	532.4	442.2	370.3	368.8	356.3
Investments and other assets	107.4	94.0	86.3	54.5	53.1
	<u>\$842.0</u>	<u>\$735.3</u>	<u>\$617.0</u>	<u>\$579.4</u>	<u>\$516.3</u>
Represented by:					
Long-term debt	\$253.5	\$212.2	\$138.1	\$146.5	\$118.3
Income taxes not currently payable	73.1	68.7	51.9	46.6	35.0
Minority interests	50.1	49.2	44.8	39.4	37.8
Shareholders' equity	465.3	405.2	382.2	346.9	325.2
	<u>\$842.0</u>	<u>\$735.3</u>	<u>\$617.0</u>	<u>\$579.4</u>	<u>\$516.3</u>
Return on assets employed	9.1%	14.5%	18.9%	9.8%	5.4%
Return on common shareholders' equity	11.0%	18.7%	23.7%	12.7%	6.3%

*1974 employment costs affected by a 4 month strike at Trail and Kimberley operations.

71st Annual Report of the Directors



To the Shareholders:

Net earnings in 1976 were \$47.7 million from sales of \$725.0 million compared to net earnings of \$73.6 million in 1975 from sales of \$707.3 million.

The economy is slowly recovering from a sharp recession, but the impact of inflation continues to reflect in escalating wages and other costs which were a major cause of reduced earnings. Although demand for the Company's products improved somewhat from the previous year, prices were generally lower, particularly for phosphatic fertilizer. Inventories were maintained at satisfactory levels. Coal output was sharply reduced by a strike at Fording Coal. International operations continued to make an important contribution to the Company's net earnings; however, the strength of the Canadian dollar relative to other major currencies had an adverse effect. Sources of earnings are detailed in the tables commencing on Page 24.

In April, 1976, the Company issued U.S. \$50.0 million 10% Serial Notes due in 1982-1996 and in May issued \$50.0 million, \$2.00 Tax Deferred Exchangeable Preferred Shares Series A. The proceeds from these issues were used for capital expenditures and working capital. Dividends were \$34.0 million on common shares and \$2.2 million on preferred shares.

Your Company continues to urge the Federal and Provincial Governments to find an early resolution of their dispute over income taxation of resource companies. Last year we reported that earnings from our mining operations in British Columbia and in Saskatchewan had been seriously eroded by confiscatory taxes imposed by those Provincial Governments. We are pleased that during 1976 the Province of British Columbia rescinded the damaging Mineral Royalty and Mineral Land Taxes and reinstated a taxation system related to profits. No relief, however, has been obtained from the confiscatory taxes imposed by the Government of Saskatchewan in spite of most strenuous efforts on the part of your Company and other producers. While the Company's potash mine earned \$2.7 million before taxes, combined taxes amounting to \$7.2 million resulted in a net loss of \$4.5 million.

In spite of your Company's demonstrated leadership in matters related to health, safety and the environment, costly expenditures are increasingly being required by various regulatory bodies to comply with arbitrarily imposed standards the need for which, in a number of cases, cannot be supported by scientific or medical evidence. Prolongation of such a situation results in a drain on the Company's capacity to expand its activities and to create new jobs so urgently needed in Canada.

Although present economic conditions offer little encouragement for an early development of the large Valley Copper deposit in British Columbia, the situation is being watched closely. Unfortunately, no significant progress has been made to date in discussions with departments of the Canadian Government regarding the development of the Polaris zinc-lead property of Arvik Mines in the Canadian Arctic. Panarctic Oils continues to have success in its gas and oil exploration.

Capital expenditures in 1976 totalled \$147.6 million, and at year end unexpended amounts on major authorized capital projects approximated \$58.0 million. Mineral exploration and development programs totalled \$30.1 million.

The ammonia-urea plant at Carseland, Alberta, the Con Mine expansion in the Northwest Territories and the Rubiales Mine in Spain will be in commercial production in 1977.

R. G. McEachern, Vice-President, Exploration, retired after more than thirty years of distinguished service. Senior appointments made during the year were as follows: O. E. Owens, Vice-President, Exploration; P. J. Noakes, Director, Cominco Europe and P. A. Manson, General Solicitor.

The Directors express their appreciation to all employees of the Company and its world wide associates for their contributions to the progress of Cominco.

A handwritten signature in dark ink, appearing to read "G. H. D. Hobbs".

G. H. D. HOBBS
President

A handwritten signature in dark ink, appearing to read "F. E. Burnet".

F. E. BURNET
Chairman and Chief
Executive Officer

Vancouver, British Columbia
March 11, 1977

Marketing

H. T. FARGEY, Executive Vice-President, Administration and Marketing

With customers in fifty countries, Cominco is one of the world's major producers and marketers of zinc and lead. Products include concentrates of zinc, lead, copper, tin and tungsten; refined zinc, lead, silver, indium, cadmium, bismuth and gold; and steel shapes, zinc die castings, metallurgical coal, potash, sulphuric acid, electronic materials and a complete range of chemical fertilizers.

Product marketing is directed from the head office in Vancouver. Sales offices are located elsewhere in Canada and in Australia, Britain, France, Germany and the United States.

The Company's Canadian mines, smelters, refineries, chemical and fertilizer plants produce annually five million tons of end products of which close to 75 percent is exported.

The consumption of refined zinc rose above its severely depressed 1975 levels by 16 percent. Increased demand resulted partly from a rebuilding of consumer stocks but primarily from an upturn in automobile production. In spite of this improvement producer stocks of refined zinc remained high and at year end were at approximately twice the normal level. Reflecting this supply-demand imbalance, zinc price quotations were below those of the previous year:

		1976	1975
London Metal Exchange			
Equivalent	U.S.¢lb.	32.3	33.8
U. S. Producer Price	U.S.¢lb.	37.0	39.0
Canadian Producer Price	¢lb.	36.8	37.0

Western world consumption of lead rose by seven percent, largely in response to increased demand for electric storage batteries, a market of excellent growth potential in both its automotive and industrial applications. Another favourable factor was the modest increase in consumption of energy-boosting lead compounds for gasoline.

At year end world stocks of refined lead were slightly below normal, demand was excellent and prices were strengthening. Average price quotations for lead were higher than in 1975 as shown below:

		1976	1975
London Metal Exchange			
Equivalent	U.S.¢lb.	20.5	18.7
U. S. Producer Price	U.S.¢lb.	23.1	21.5
Canadian Producer Price	¢lb.	22.6	20.3

In May, the United States Treasury determined that Canadian producers were not dumping lead in the United States.

The supply-demand balances for zinc and lead were significantly affected when disposals from the United States strategic stockpile were terminated. This action removed a major source of these metals from the consumer market. Subsequently the United States General Services Administration proposed new and higher stockpile objectives which, if approved by Congress, will require the purchase of 1,000,000 tons of zinc and 250,000 tons of lead.

Despite highly competitive market conditions, sales of refined metals and metal concentrates were well maintained, and year end inventories were low. The Company's subsidiaries in the European Common Market which trade in metals, fabricated metal products and scrap metals, had record sales.

As an integral part of its zinc and lead marketing program the Company is developing new applications for both metals. Its Product Research Centre at Sheridan Park, Ontario, seeks new and improved uses for zinc and lead, undertakes contract research and provides technical advice to customers. Investigations now under way which have important commercial potential include research on superplastic zinc alloys and related thermoforming techniques as well as the development of methods and equipment for the manufacture of superior lead-acid battery grids.

In addition to this in-house research the Company sponsors, with other producers, research conducted on an industry-wide basis. These technical programs are undertaken by the International Lead-Zinc Research Organization, the Zinc Institute, the Lead Industry Association and other organizations.

J. H. SALTER, Executive Vice-President and Chief Operating Officer

The organization of Canadian operations into regional groups, instituted in 1975, functioned effectively and resulted in the greater flexibility of decentralized administration.

Sluggish markets for many products complicated inventory control and required unusually frequent adjustment of production schedules. Operations at Trail were closed for one month during the summer, and phosphatic fertilizer production at Kimberley was shut down for two months. Strikes resulted in a four-and-a-half-month closure at Fording Coal and a twelve-day interruption at the Con mine.

In the Northwest Territories the mile-deep Con mine shaft bottomed out in October and is now being equipped. Sequential testing of components of the ammonia-urea complex at Carseland, Alberta was started in January, 1977, and initial production is expected in March, 1977. In Spain, late delivery of critical electrical equipment delayed the completion of the concentrator of the Rubiales mine. Test runs in the concentrator will be undertaken shortly.

In the ongoing effort to combat escalating costs and to improve productivity at both Kimberley and Trail the mining system at the Sullivan mine is being modernized. The first stage of this modernization will cost \$7 million. At Trail, expenditures totalling \$14 million were authorized to upgrade the metallurgical plants.

The standards set by numerous governmental regulatory agencies continue to demand major expenditures for environmental control. While recognizing the need to upgrade facilities, in some cases, the standards imposed are hard to justify from considerations of

hygiene, economics or human environment. Illustrative of the problems engendered by this type of regulation was the publicity given to the supposed lead contamination in the Trail area. In view of this it is noteworthy that the results, published in March, 1976, of the federal health study referred to in last year's report confirm that lead absorption is not a health hazard in that community.

The safety and health of employees continue to be a primary concern of the Company in all its operations. As an integral part of safety promotion it encourages employees to participate in safety competitions and is proud of their notable achievements. During 1976 Cominco mines won several highly respected safety awards. The Magmont mine of Cominco American, in competition with all other mines in the United States, won the prestigious "Sentinels of Safety" trophy in the underground metal mines group by achieving one thousand man-years without a disabling injury. Magmont's mine rescue team was also awarded the "Best All-around" trophy in both the single-level mine and multi-level mine divisions of the 1976 championship competition. Similarly in Canada, the HB mine rescue team won both the British Columbia and Canadian championships.

Marketing (Continued)

The year 1976 was a bountiful one for crops. Generally benign growing conditions in most countries resulted in increased world consumption of nitrogen, phosphate and potassium fertilizers. Because of a large increase in phosphatic fertilizer capacity, however, supply exceeded demand and prices were depressed.

Sales of chemicals, fertilizers and potash were balanced by production and by year end inventories were

at normal levels. Marketing arrangements for the output of urea and anhydrous ammonia, to be produced by the new Carseland plant in Alberta, were implemented. In addition to traditional agricultural applications, a significant market for this urea will be forest fertilization, where technology developed jointly by your Company and the forest industry will be used.

Ore Reserves

MEASURED AND INDICATED

(thousands)

Zinc-Lead

B.C.	Sullivan/H.B.
N.W.T.	Pine Point
U.S.A.	Magmont
GREENLAND	Black Angel
SPAIN	Rubiales

Ore	Mineral Content
(tons)	(tons)
57,000	6,200
36,000	2,700
9,400	900
3,900	740
13,500	1,290

Ore	Mineral Content
(tons)	(tons)
59,000	6,400
39,000	2,900
10,300	960
4,400	830
10,900	1,170

Gold

N.W.T.	Con/Rycon
--------	-----------

(ozs.)
1,470
872

(ozs.)
1,670
975

Mercury

B.C.	Pinchi Lake
------	-------------

(flasks)
1,200
98

(flasks)
1,200
98

Tin

AUSTRALIA	Aberfoyle Group
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(tons)
4,000
28

(tons)
4,500
31

Phosphate (P₂O₅)

U.S.A.	Brock/Douglas
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(tons)
19,300
5,900

(tons)
19,700
6,000

Coal

B.C.	Fording
ALTA./SASK.	CanPac

(tons)
62,700
1,340,000

(tons)
60,500
1,340,000

Potash (K₂O)

SASK.	Vade
SASK.	CanPac

(tons)
112,000
29,500
216,000

(tons)
114,000
31,400
218,000

POTENTIAL

(thousands)

Zinc-Lead

N.W.T.	Polaris
TASMANIA	Que River
SPAIN	La Troya

(tons)
25,000
4,700
880
650

(tons)
25,000
4,700
900
650

Copper

B.C.	Valley Copper
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(tons)
800,000
3,800

(tons)
800,000
3,800

Producing Mines



			1976	1975		
Location	Mine	Product	Ore (tons) Grade	Concentrate (tons)	Ore (tons) Grade	Concentrate (tons)
B.C.	Sullivan	Zinc	2,342,000		2,208,000	
		Lead	3.9%	166,000	4.2%	165,000
	H.B.		4.0%	121,000	3.9%	100,000
		Zinc	412,000		453,000	
	Lead	3.8%	26,600	3.4%	25,300	
	Pinchi Lake		0.7%	5,600	0.6%	5,500
		Mercury	—		125,000	
N.W.T.	Fording		1,800,000		3,140,000	
		Coal	—		—	
	Pine Point		3,773,000		3,905,000	
		Zinc	5.3%	323,000	4.9%	301,000
	Lead	1.7%	72,000	2.4%	104,000	
	Con/Rycon		151,000		148,000	
		Gold	0.62 oz.		0.55 oz.	
SASK.	Potash	1,709,000		2,239,000		
U.S.A.	Magmont	K ₂ O	25.6%		25.5%	
			1,070,000		1,077,000	
	Lead	7.5%	50,800*	7.8%	54,100*	
		Zinc	1.2%	8,800*	1.2%	8,100*
	Copper	0.4%	5,400*	0.7%	9,200*	
			191,000		271,000	
	P ₂ O ₅	28.5%		28.6%		
GREENLAND			663,000		651,000	
	Zinc	14.7%	157,000	15.4%	168,000	
Lead		5.2%	42,000	4.8%	35,000	
AUSTRALIA	Aberfoyle		44,000		58,000	
		Tin	0.4%	200	0.4%	270
	Tungsten	0.6%	280	0.5%	330	
		Cleveland		400,000		319,000
	Tin		0.7%	1,610	0.8%	2,640
	Copper	0.3%	3,360	0.3%	3,050	
		Golden Plateau		7,000		33,000
Gold	0.3 oz.			0.3 oz.		
Ardlethan	Silver	0.7 oz.		0.9 oz.		
		488,000		450,000		
	Tin	0.5%	2,660	0.5%	2,880	

*Cominco American's 50% share.

Production and Sales

		1976		1975	
		Sales	Production	Sales	Production
Refined metal					
Zinc	tons	224,000	224,000	173,000	194,000
Lead					
Trail	tons	131,000	142,000	126,000	138,000
Magmont	tons	34,000	35,000	33,000	34,000
		<u>165,000</u>	<u>177,000</u>	<u>159,000</u>	<u>172,000</u>
Silver	ounces	9,362,000	9,430,000	8,647,000	8,813,000
Gold	ounces	128,000	121,000	88,000	95,000
Concentrates					
Lead					
Sullivan	tons	—	121,000	—	100,000
H.B.	tons	—	5,600	—	5,500
Magmont	tons	7,500	50,800	—	54,100
Pine Point	tons	75,000	72,000	88,000	104,000
Greenex	tons	38,000	42,000	38,000	35,000
		<u>120,500</u>	<u>291,400</u>	<u>126,000</u>	<u>298,600</u>
Zinc					
Sullivan	tons	—	166,000	—	165,000
H.B.	tons	—	26,600	—	25,300
Magmont	tons	8,200	8,800	7,000	8,100
Pine Point	tons	113,000	323,000	110,000	301,000
Greenex	tons	191,000	157,000	177,000	168,000
		<u>312,200</u>	<u>681,400</u>	<u>294,000</u>	<u>667,400</u>
Chemicals and Fertilizers					
Canada	tons	673,000	698,000	618,000	708,000
United States	tons	461,000	459,000	395,000	450,000
		<u>1,134,000</u>	<u>1,157,000</u>	<u>1,013,000</u>	<u>1,158,000</u>
Potash	tons	664,000	594,000	574,000	771,000

Exploration

O. E. OWENS, Vice-President, Exploration



The Company has developed a highly skilled and diversified exploration organization whose functions are to locate new ore reserves and to expand existing reserves in order to replace the ten million tons of ore mined by the Company each year and to provide a base for growth.

In 1976 the total cost of this program was \$30.1 million, of which \$13.9 million was spent by the Company's subsidiary and associated companies. The adjoining graph shows an increase in the latter category in recent years which reflects the growth and diversification of the Company's operations.

Cominco carries out major programs to search for or develop deposits of zinc, lead, copper, silver, gold, uranium, nickel, tungsten, molybdenum, tin and coal. It also participates in oil and natural gas exploration in the Canadian Arctic Islands. Principal expenditures were in Canada, the United States, Australia, Spain, France, Mexico and Greenland.

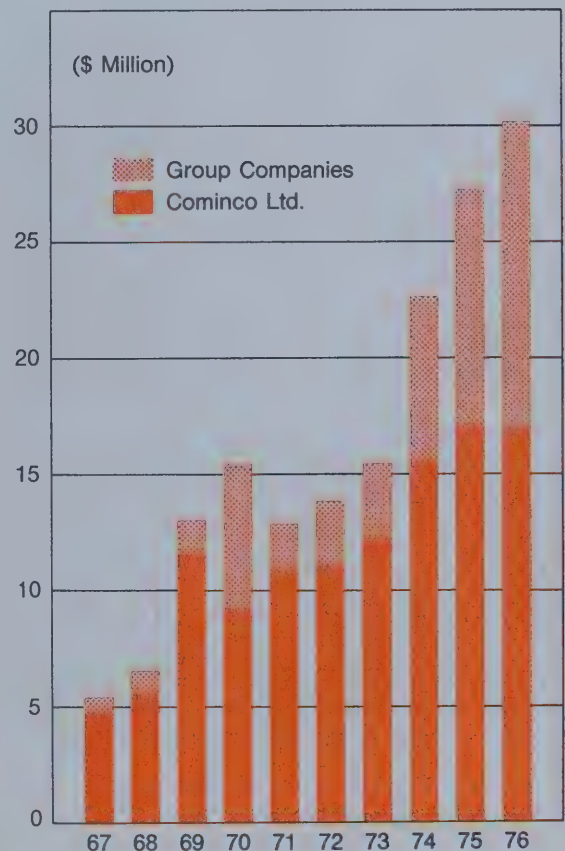
Each exploration project is assessed for its geological and political risks as well as for its cost and economic potential. The evaluation of political risks has assumed greater importance in recent years in view of changing political attitudes and governmental regulations in many countries. We have reduced our activities in politically uncertain areas and have expanded them in the United States, Europe and, recently, in British Columbia in anticipation of the enactment of more enlightened mining legislation in that province.

We continually strive to reduce geological risks by improving our understanding of the natural processes that result in ore formation and by developing exploration technology. Research programs are carried on in laboratories at Vancouver and Toronto. The expertise of the exploration organization is available to associated companies many of which have their own exploration groups.

During 1976 subsidiary and associated companies initiated or advanced underground programs to test deposits and to determine mining conditions in Kentucky, Mexico, Spain and Tasmania.

EXPLORATION AND DEVELOPMENT EXPENDITURES

Cominco Ltd. and Group Companies



B.C. Group

A. V. MARCOLIN, Group Vice-President at Trail

From its headquarters in Trail this group, which employs 5,300 people, administers the British Columbia mines and plants of Cominco Ltd. Collective bargaining agreements for the group's unionized employees expire on April 30, 1977.

Ore production at the Sullivan mine in Kimberley was greater than in 1975 but grades were lower. Performance of the concentrator improved as problems associated with hot oxidizing ore in the mine were largely resolved and as computer control of mill metallurgy was introduced.

The versatile facilities of the Trail lead smelter continued to process significant tonnages of complex concentrates from the Company's mines and of those purchased from other producers. Production of refined zinc and lead at Trail was slightly greater than in 1975. Much of the zinc was produced in the form of continuously cast jumbo slabs by a proprietary Cominco process. The diverse technological competence of the Company is illustrated by the production of ultra high purity metals for electronics, high quality silver for photographic film, and a wide range of highly refined metals.

Fertilizer throughput at Trail was in balance with metallurgical production. Deteriorated market conditions necessitated a curtailment of operations at the Kimberley plant.

During the year Sheritt Gordon and Cominco successfully demonstrated on a pilot plant scale the commercial feasibility of the hydrometallurgical "S. C. Process" for producing copper and elemental sulphur under pollution-free conditions. The application of this process to zinc metallurgy is currently being studied.

A re-examination of several mineralized properties in southeastern British Columbia was undertaken with a view to increasing local sources of concentrate feed for the Trail plants.

The Company congratulates the citizens of Trail on the occasion of the 75th anniversary of the incorporation of their city. Trail has been the home of Cominco's main metallurgical operations since the formation of the Company.

Prairie Group

M. N. ANDERSON, Group Vice-President at Calgary

This group administers the ammonium nitrate and urea plants in Calgary, the new Carseland ammonia-urea complex southeast of the city, the potash mine in Saskatchewan, the Fording coal operations in the Crow'snest area of British Columbia as well as the development of CanPac Minerals' coal holdings in the western provinces. The group employs 1,600 people and has its headquarters in Calgary.

Because of market conditions the potash mine operated at less than capacity, however, productivity increased significantly. Fertilizer production costs at Calgary were substantially higher because unit charges for natural gas more than doubled and electric power rates rose sharply. At the Carseland ammonia and urea complex operating crews were assembled and trained preparatory to production early in 1977.

Fording Coal Limited

Additions to the wash plant improved production rates and coal recoveries. Because of the strike from May through September and the labour shortage which followed, output of the operation was reduced from an anticipated 3,000,000 tons to 1,800,000 tons. As a result earnings were sharply reduced and Cominco's share was only \$3.6 million.

CanPac Minerals Limited

Cominco was disappointed that the Government of Alberta rejected the joint application by CanPac Minerals and Calgary Power Limited to construct and operate a ten-million ton per year coal mine and a 2,250-megawatt generating plant in the Camrose-Ryley area. Alternate proposals are now being considered by CanPac and the utility company. Coal exploration programs continued throughout the year in Alberta, British Columbia and Nova Scotia.

Northern Group

R. P. DOUGLAS, Group Vice-President at Yellowknife

The Con gold mine near Yellowknife, the capitol of the Northwest Territories, and the Pine Point zinc-lead mine south of Great Slave Lake are managed by this group. New mining ventures in the north are also its responsibility. It employs 920 people.

The Robertson shaft at the Con mine was completed to 5,400 feet late in the year. This facility will provide direct access to major new ore reserves, will improve service to present mine workings, and together with the expanded concentrator will provide a 50 percent increase in mine production capacity.

Gold production in 1976 was 16 percent greater than that of the previous year due largely to the installation of a trackless haulage system in the lower section of the mine, which provided nearly 40 percent of the output. Environmental programs accelerated the growth of vegetation on the tailings areas.

A 27-month labour contract was negotiated effective August 1, 1976.

Pine Point Mines Limited

Net earnings for 1976 were reported at \$9.3 million on sales of \$86.0 million. Production amounted to 72,000 tons of lead concentrate and 323,000 tons of zinc concentrate. Several prolonged power outages on the Northern Canada Power Commission's system shut down the concentrator for 19 days.

Overburden removal rose sharply to 13.1 million tons. As this rising trend is expected to continue, a thirty-cubic-yard dragline designed to handle the additional tonnages expected after 1978 and to reduce stripping costs has been ordered and should be operational in 1979.

Exploration, costing \$1.1 million defined reserves adjacent to known orebodies, equivalent to approximately one-third of the tonnage mined. Capital expenditures of \$4.1 million were chiefly for additions to housing, for expansion of the tailings dyke and for initial commitments for the dragline.

Diversified Companies

S. M. ROTHMAN, Group Vice-President at Vancouver



Western Canada Steel and its subsidiary, Hawaiian Western Steel, are regional manufacturers of bars and other steel products. The group's sales of \$44.9 million were seriously affected by weak markets.

National Hardware Specialties, an Ontario zinc die-casting and plating company, although experiencing a difficult year, had sales of \$10.7 million, somewhat above those of the previous year.

Pacific Coast Terminals' bulk loading facility in Port Moody and general cargo wharves in New Westminster handled 3.7 million tons of cargo, approximately the same as in 1975.

The Canada Metal Company, a secondary metal processor, had sales of \$54.3 million. The acquisition of the Carter-White Lead Company of Montreal further diversified Canada Metal's product line and enabled it to supply the Quebec battery lead oxide market from a local plant.

In Japan the lead smelting works of Mitsubishi Cominco Smelting Company continued its most efficient operation and sold 35,700 tons of refined lead, a slight increase over the previous year.

In India Cominco Binani Zinc continues to improve its performance and increased its sales volume of refined zinc to 16,400 tons.

Cominco American Incorporated

J. C. MACLEAN

President and Chief Executive Officer, Cominco American Incorporated

Cominco American reported sales of US \$201 million, which contributed substantially to your Company's earnings. This wholly owned United States subsidiary has its head office in Spokane, Washington. Its activities include production and sales of fertilizers, metals, electronic materials and minor amounts of gas and oil.

Sales by Cominco American from its 50 percent owned Magmont lead mine at Bixby, Missouri were 34,400 tons of refined lead, 7,500 tons of lead concentrate, 8,200 tons of zinc concentrate and 8,600 tons of copper concentrate.

Its phosphate mines in Montana operated at a rate proportionate to the reduced need for phosphate rock at the Cominco Ltd. fertilizer plant in Kimberley.

The Homestead ammonium nitrate plant in Nebraska produced 164,000 tons, slightly more than in the previous year. The anhydrous ammonia plant at Borger, Texas, continued to perform above design capacity with production of 367,000 tons.

Chemicals, fertilizers and potash sold by Cominco American were 1,301,000 tons, of which 794,000 tons were purchased from Cominco Ltd.

An extensive exploration program was carried on in the United States, including Alaska. In association with Asarco and NL Industries sinking of a shaft was commenced at Burkesville, Kentucky, in order to test a large, low grade zinc deposit located on joint property holdings.

In the United States civil actions are under way alleging violation of anti-trust laws by Cominco American and seven other companies in the production and distribution of chemical fertilizers. Liability has been denied by all defendants.

Cominco Europe

P. J. NOAKES, Director, Cominco Europe

This division administers the Company's mining activities in continental Europe and Greenland.

Vestgron Mines Limited

The Black Angel mine of Greenex A/S, a wholly owned subsidiary of Vestgron, produced 157,000 tons of zinc concentrate and 42,000 tons of lead concentrate. Net earnings were reported at \$15.6 million from sales of \$49.2 million.

Exploracion Minera Internacional España S. A. (Exminesa)

In Spain the construction of the Rubiales zinc-lead mine and 2,200 ton concentrator, owned and operated by Exminesa, our Spanish associate, made satisfactory progress. The complex is expected to commence operation in the second quarter of 1977. Underground work is proceeding on the La Troya deposit to determine the feasibility of bringing this property into production.

Tara Exploration and Development Co. Ltd.

Cominco holds 17.4 percent of this company, which in turn has a 75 percent interest in the Navan zinc-lead deposit in Ireland. Construction of the 7,500-ton-per-day concentrator was well advanced by year end. Production is scheduled to commence in the second quarter of 1977.

Cominco Australia

G. N. MOORE, Chairman, Cominco Australian Pty. Ltd.

Power

P. HANSEN, President and Chief Executive Officer,
West Kootenay Power and Light Company, Limited



Cominco's mining and exploration activities in the South Pacific are administered by Cominco Australian.

The Company's principal interests are the 55 percent shareholding in Aberfoyle and its four tin and tungsten mines, Aberfoyle, Ardlethan, Cleveland and Storey's Creek, together with a 52 percent interest in the Que River project in Tasmania.

During the year the management of the various mines and exploration programs was consolidated under the jurisdiction of Abminco N. L. (formerly Cleveland Tin N. L.).

Consolidated sales were Aust \$18.1 million. The price of tin rose steadily through 1976. The International Tin Council lifted its tin quotas on June 30. This action, together with the subsequent price improvement, raised second half revenues, and helped to offset the adverse effects of continuing inflation in Australia.

Ore reserves at the four operating mines were maintained close to last year's levels. Sinking of a development shaft was commenced at the Que River property to obtain data required for a production decision.

Cominco's electrical transmission system and its five hydro-electric generating plants on the Kootenay and Pend-d'Oreille Rivers, with a total installed capacity of 664 megawatts, are operated by the West Kootenay Power and Light Company under a management contract. Power from these plants is primarily used by the Trail and Kimberley operations. When not required by western Canadian utility companies power surplus to Cominco's needs was exported on an interruptible basis to utilities in the United States.

West Kootenay Power and Light Company, Limited

By adding 3,000 consumers to its distribution system in south-central British Columbia, West Kootenay Power increased the total number of residential, commercial and industrial consumers served to 70,000. The 1976 utility load growth was 7.6 percent, and new investments in transmission and distribution facilities amounted to \$7.5 million.

During 1976, West Kootenay Power filed a general rate increase application, its first in thirty years, with the British Columbia Energy Commission. The requested average increase of 12.6 percent was granted on an interim basis. The Commission referred to the British Columbia Court of Appeal the question of whether Cominco's power production and sales should be within the purview of the Commission.

Financial Review

W. G. WILSON, Vice-President Finance and Accounting

Revenue

Sales of \$725.0 million were \$17.7 million greater than those in 1975 due to increased volume of products sold, partially offset by lower prices. Sales volumes for the principal products are shown in the table Production and Sales statistics on page 8. The Statements of Supplementary Information on pages 24 to 27 show the dollar value of sales derived from the Company's principal activities.

Earnings

Net earnings of \$47.7 million (\$2.66 per common share) were down from \$73.6 million (\$4.34 per common share) earned in 1975. The principal factors contributing to lower earnings were lower prices for many of the Company's products, increased operating costs, additional distribution costs to market the Company's products and additional financing costs.

Cost of Products and Services

The principal items contributing to the increase of \$66.7 million in cost of products and services were increases in the volume of products sold, higher labour and other operating expenses.

Interest

Interest expense increased \$4.9 million to \$23.6 million. Interest expense is not allocated to the Canadian operating divisions of Cominco but is carried as a corporate cost.

Taxes

The principal sources of taxable earnings were in Canada and the United States. While there were no significant changes in income tax rates, resource taxes in the Province of British Columbia were reduced. Taxes continue to be a heavy burden, particularly with respect to the potash operation in Saskatchewan.

Under the terms of a Concession Agreement with the Danish Ministry for Greenland, Greenex A/S (a subsidiary of Vestgron Mines Limited) was granted exemption from payment of taxes until that company realized earnings to an amount approximately equivalent to total invested capital. It is expected that the company will be subject to taxes in 1977.

Foreign Exchange

Throughout most of 1976, the strength of the Canadian dollar, relative to other major currencies, reduced proceeds from sales outside Canada. Accordingly net earnings were adversely affected.

Associated Companies

The Company's share of earnings of associated companies amounted to \$6.0 million principally from Fording Coal Limited \$3.6 million and from Canada Metal Company Limited \$1.3 million. Earnings of Fording Coal Limited were adversely affected by a four and a half month strike.

Capital Expenditures

Expenditures on Land, Buildings and Equipment \$119.7 million, and Mining Properties and Development \$20.1 million, aggregating \$139.8 million, were a record.

Expenditures were made to improve and expand the following operations:

	Land, Buildings and Equipment	Mining Properties and Development
	(thousands)	
Canada		
Integrated metals	\$ 4,273	\$ —
Pine Point Mines Limited	3,283	917
Fertilizers and Chemicals	82,459	—
Potash	2,381	—
Other operations	15,983	5,974
Other Countries		
Greenland	3,490	916
United States of America	6,977	5,735
Australia	690	4,972
Others	141	1,580
	<u>\$119,677</u>	<u>\$20,094</u>

Of the total amount expended on land, buildings and equipment, \$88,073,000 represents expenditures on assets not yet placed in service.

At year-end unexpended amounts remaining on approved major capital projects amounted to \$58,000,000.

Financing

In order to finance the record level of capital expenditures, funds, in addition to those generated from operations, were obtained from proceeds of long-term financing as follows:

\$49,224,000	— 10% Serial Notes due 1982 to 1996, \$50 million payable in U.S. funds
50,000,000	— 2,000,000 — \$2.00 Tax Deferred Exchangeable Preferred Shares
10,893,000	— other sources
<u>\$110,117,000</u>	

To ensure adequate flexibility in meeting its ongoing financing requirements, the Company has increased its lines of credit with financial institutions.

Dividends

Dividends declared and paid on Common Shares amounted to \$2.00 per share. A dividend of \$1.08 per share was paid on the Preferred Shares representing the amount due from the date of issue, May 18, 1976, to December 1, 1976, the first dividend date.

Working Capital

Consolidated working capital increased during the year by \$3.1 million to \$202.2 million. A summary of consolidated funds available to the Company during the year and their use is set out below:

	(thousands)
Funds from operations	\$108,636
Proceeds from new financing:	
Loans	59,823
Equity	50,294
Other sources	3,141
	<u>221,894</u>
Deduct:	
Capital expenditures	147,574
Dividends	44,811
Other uses	26,399
	<u>218,784</u>
Increase in working capital	<u>\$ 3,110</u>

The significant changes in the components of working capital are summarized below:

	(thousands)
Increase (decrease) in current assets:	
Cash and short-term investments	\$(1,322)
Accounts receivable	(4,756)
Inventories	3,856
Prepaid expenses	3,374
	<u>1,152</u>
Increase (decrease) in current liabilities:	
Bank loans	(7,445)
Accounts payable and accrued liabilities	2,910
Income and other taxes	138
Long-term debt due in one year	2,439
	<u>(1,958)</u>
Increase in working capital	<u>\$ 3,110</u>

Shareholders

There were 28,147 common shareholders at December 31, 1976 compared with 30,903 at the end of 1975. Residents of Canada held approximately 93% of the shares outstanding.

The 2,000,000 - \$2.00 Tax Deferred Exchangeable Preferred Shares Series A sold during the year are held by 2,574 registrants representing 100% Canadian ownership.

Principal Active Subsidiaries and Associate Companies

	COMINCO OWNERSHIP		HEAD OFFICE
Arvik Mines Ltd.	75%	R. P. Douglas <i>President and Chief Executive Officer</i>	Yellowknife N.W.T.
Bathurst Norsemes Ltd. (NPL)	42%	P. Frigstad <i>President</i>	Vancouver British Columbia
The Canada Metal Company Limited	50%	D. F. Hutton <i>President and Chief Executive Officer</i>	Toronto Ontario
CanPac Minerals Limited	40%	M. N. Anderson <i>President and Chief Executive Officer</i>	Calgary Alberta
Cominco American Incorporated	100%	J. C. MacLean <i>President and Chief Executive Officer</i>	Spokane Washington, U.S.A.
Cominco Australian Pty. Ltd.	100%	G. N. Moore <i>Chairman</i>	Sydney Australia
Aberfoyle Limited	55%	G. N. Moore <i>Chairman</i>	Melbourne Australia
Abminco N.L.	38%	N. A. Gilberthorpe <i>Managing Director</i>	Melbourne Australia
Cominco Binani Zinc Limited	40%	G. Binani <i>Chairman</i>	Calcutta India
Cominco Europe N.V.	100%	J. C. Beck A. J. van der Marel <i>Managing Directors</i>	Amsterdam Netherlands
Cominco S.A.	100%	G. Harden <i>Managing Director</i>	Brussels Belgium
Cominco France S.A.	100%	W. Bittner <i>Director General — Commercial</i> B. Nicolet <i>Director General — Exploration</i>	Paris France
Exploracion Minera Internacional España S.A. (Exminesa)	47%	R. S. Jiménez <i>Chairman</i>	Madrid Spain
Cominco GmbH	100%	K. P. Neufeldt <i>Managing Director</i>	Dusseldorf West Germany
Cominco (U.K.) Limited	100%	D. M. Silver <i>Managing Director</i>	London England
Mazak Limited	50%	R. P. Wilson <i>Chairman and Managing Director</i>	Bristol England
Fording Coal Limited	40%	M. N. Anderson <i>President and Chief Executive Officer</i>	Calgary Alberta
Mitsubishi Cominco Smelting Company Limited	45%	T. Takata <i>President</i>	Tokyo Japan
National Hardware Specialties Limited	99%	W. J. McDonald <i>President and Chief Executive Officer</i>	Dresden Ontario
Pacific Coast Terminals Co. Ltd.	78%	W. W. Brown <i>President and Chief Executive Officer</i>	New Westminster British Columbia
Panarctic Oils Ltd.	9%	C. R. Hetherington <i>President and Chief Executive Officer</i>	Calgary Alberta
Pine Point Mines Limited	69%	J. H. Salter <i>Chairman and Chief Executive Officer</i>	Pine Point N.W.T.
Rycon Mines Limited	76%	G. D. Tikkanen <i>President</i>	Yellowknife N.W.T.
Tara Exploration and Development Company Limited	17%	M. McCarthy <i>President</i>	Toronto Ontario
Valley Copper Mines Limited (N.P.L.)	81%	S. M. Rothman <i>President</i>	Trail British Columbia
Vestgron Mines Limited	63%	O. E. Owens <i>President</i>	Yellowknife N.W.T.
Greenex A/S	63%	E. Dragsted <i>Chairman</i>	Umanak Greenland
Western Canada Steel Limited	100%	M. C. D. Hobbs <i>Chairman and Chief Executive Officer</i>	Vancouver British Columbia
Hawaiian Western Steel Limited	51%	C. C. Smith <i>General Manager</i>	Ewa Hawaii
West Kootenay Power and Light Company, Limited	Common Preferred 100% 25%	P. Hansen <i>President and Chief Executive Officer</i>	Trail British Columbia

Consolidated Statement of Earnings

Year ended December 31, 1976

	1976	1975
	(thousands)	
REVENUE		
Sales of products and services	\$725,005	\$707,346
Income from investments	<u>6,801</u>	<u>8,250</u>
	<u>731,806</u>	<u>715,596</u>
COSTS AND EXPENSES		
Cost of products and services	460,269	393,538
Distribution	64,600	58,980
Selling	14,586	13,639
General and administrative	24,426	23,583
General mineral exploration	7,649	7,024
Long-term debt interest and expense	23,558	18,678
Depreciation and depletion	<u>48,256</u>	<u>47,541</u>
	<u>643,344</u>	<u>562,983</u>
Earnings before the following	<u>88,462</u>	<u>152,613</u>
Taxes on income including resource taxes		
Current	31,301	56,984
Not currently payable	<u>5,999</u>	<u>17,716</u>
	<u>37,300</u>	<u>74,700</u>
	51,162	77,913
Minority interest in net earnings of subsidiaries	<u>9,460</u>	<u>12,554</u>
	41,702	65,359
Equity in net earnings of associated companies	<u>5,971</u>	<u>8,262</u>
NET EARNINGS	<u>\$ 47,673</u>	<u>\$ 73,621</u>
EARNINGS PER COMMON SHARE (1976 — after preferred dividend requirements)	<u>\$ 2.66</u>	<u>\$ 4.34</u>

Consolidated Statement of Earnings Reinvested in the Business

Year ended December 31, 1976

	1976	1975
	(thousands)	
Amount at beginning of year	\$371,935	\$349,241
Net earnings	<u>47,673</u>	<u>73,621</u>
	<u>419,608</u>	<u>422,862</u>
Deduct		
Costs incurred on issue of preferred shares	1,785	—
Dividends — Preferred \$1.08 per share (Note 6)	2,160	—
— Common \$2.00 per share (1975 — \$3.00)	<u>33,977</u>	<u>50,927</u>
	<u>37,922</u>	<u>50,927</u>
Amount at end of year	<u>\$381,686</u>	<u>\$371,935</u>

Consolidated Balance Sheet

	1976	1975
	(thousands)	
CURRENT ASSETS		
Cash and short-term investments	\$ 67,123	\$ 68,445
Accounts receivable	102,505	107,261
Inventories (Note 2)	154,982	151,126
Prepaid expenses	<u>8,817</u>	<u>5,443</u>
	<u>333,427</u>	<u>332,275</u>
 INVESTMENTS (Note 3)		
Associated companies	43,242	40,459
Other companies	<u>45,374</u>	<u>39,072</u>
	<u>88,616</u>	<u>79,531</u>
 FIXED ASSETS		
Land, buildings and equipment	690,965	576,262
Less accumulated depreciation	<u>258,885</u>	<u>228,196</u>
	<u>432,080</u>	<u>348,066</u>
 Mining properties and development	178,190	163,134
Less accumulated depletion	<u>77,872</u>	<u>69,029</u>
	<u>100,318</u>	<u>94,105</u>
	<u>532,398</u>	<u>442,171</u>
 OTHER ASSETS (Note 4)		
	<u>18,764</u>	<u>14,524</u>
	<u>\$973,205</u>	<u>\$868,501</u>

December 31, 1976

	1976	1975
	(thousands)	
CURRENT LIABILITIES		
Bank loans	\$ 10,201	\$ 17,646
Accounts payable and accrued liabilities	89,575	86,665
Income and resource taxes	17,344	17,206
Long-term debt due within one year	<u>14,080</u>	<u>11,641</u>
	<u>131,200</u>	<u>133,158</u>
LONG-TERM DEBT (Note 5)	<u>253,504</u>	<u>212,224</u>
INCOME TAXES PROVIDED FOR BUT NOT CURRENTLY PAYABLE	<u>73,157</u>	<u>68,728</u>
MINORITY INTERESTS	<u>50,080</u>	<u>49,172</u>
SHAREHOLDERS' EQUITY		
Capital (Note 6)	83,578	33,284
Earnings reinvested in the business	<u>381,686</u>	<u>371,935</u>
	<u>465,264</u>	<u>405,219</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)		
	<u>\$973,205</u>	<u>\$868,501</u>

APPROVED BY THE BOARD:

J. E. Burnett

Director

Edward D. Sollo

Director

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1976

	1976	1975
	(thousands)	
SOURCE OF FUNDS		
Funds provided from operations	\$108,636	\$146,514
Proceeds from disposal of investments	1,379	283
Proceeds from disposal of land, buildings and equipment	1,762	3,667
Additional long-term debt	59,823	95,643
Proceeds from issue of share capital — Preferred (Note 6)	50,000	—
— Common (Note 6)	294	282
	<u>\$221,894</u>	<u>\$246,389</u>
APPLICATION OF FUNDS		
Investments	\$ 7,803	\$ 3,866
Land, buildings and equipment	119,677	96,622
Mining properties and development	20,094	25,131
Repayments on long-term debt	18,543	21,499
Dividends — to shareholders	36,137	50,927
— to minority shareholders of subsidiaries	8,674	6,651
Other	<u>7,856</u>	<u>2,940</u>
	218,784	207,636
Increase in working capital	<u>3,110</u>	<u>38,753</u>
	<u>\$221,894</u>	<u>\$246,389</u>

THORNE RIDDELL & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Cominco Ltd.

We have examined the consolidated balance sheet of Cominco Ltd. as at December 31, 1976 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. We have also examined the statement of supplementary information as at December 31, 1976 and for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, and the statement of supplementary information presents fairly the information set forth therein, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 11, 1977

Thorne Ridgell et al
Chartered Accountants

Notes to Consolidated Financial Statements

Years ended December 31, 1976 and 1975

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Cominco Ltd. (the Company) and all its subsidiaries. The Company follows the equity method of accounting and includes in earnings its share of the earnings and losses of associated companies in which it owns 50% or less of the shares but over which it has substantial influence. The difference between the cost of investments in subsidiary companies and the underlying equity in the net assets at the date of acquisition is allocated to fixed assets on consolidation.

Foreign Currency Translation

Current assets and current liabilities in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the end of the year; all other assets and liabilities are translated at rates in effect when the transactions occurred. Revenues and expenses are translated at the average rate for the year except depreciation and depletion which are translated at the rates in effect when the related fixed asset expenditures were made. The resulting exchange adjustments are included in the determination of consolidated earnings.

Inventories

Finished goods, raw materials and partially processed materials are valued generally at the lower of cost (determined on the monthly average method) and net realizable value.

Stores and operating supplies are valued at average cost less appropriate allowances for obsolescence.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Assets are depreciated on a straight line basis over their economic lives. In some integrated mining and manufacturing operations, assets are pooled and depreciated at composite rates. Depreciation is not provided on major additions until commencement of commercial production.

Prior to 1976, when fixed assets were fully depreciated, it was the practice to write off the recorded cost against the accumulated depreciation so that only costs not fully depreciated were carried on the balance sheet. In 1976 this practice was discontinued and the recorded costs are removed from the accounts only when assets are sold or abandoned.

Mining Properties and Development

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to develop new mines and to investigate identified properties are capitalized as mining properties and development. These expenditures together with the cost of certain investments in mining companies are amortized against earnings by charges for depletion. Depletion is provided on a straight line basis based on the companies' overall mineral reserves position.

Pensions

Pension costs for current service are charged to earnings on a current basis. The liability for past service is being funded and charged to earnings over the period until 1992 (See Note 7).

Income Taxes

The Company and its subsidiaries follow the tax allocation method of accounting. Under this method timing

differences, principally when depreciation and depletion recorded in the accounts are different from the capital cost allowances claimed for tax purposes, result in taxes being provided for but not currently payable.

Withholding taxes, where applicable, on earnings of foreign operations are provided in the accounts to the extent of dividends anticipated in the future on earnings accumulated to December 31, 1976.

Research and Product Development

Research and product development costs are charged against earnings as incurred.

2. Inventories

	1976	1975
	(thousands)	
Finished goods	\$ 83,970	\$ 78,586
Raw materials and partially processed materials	35,863	38,571
Stores and operating supplies	35,149	33,969
	<u>\$154,982</u>	<u>\$151,126</u>

3. Investments

	1976	1975
	(thousands)	
Associated companies:		
Shares, at cost	\$ 29,149	\$ 29,149
Equity in undistributed earnings	8,338	5,348
	<u>37,487</u>	<u>34,497</u>
Advances	5,755	5,962
	<u>\$ 43,242</u>	<u>\$ 40,459</u>
Other companies:		
Shares, at cost		
Panarctic Oils Ltd. (9.2% owned)	\$16,829	\$13,889
Tara Exploration and Development Company Limited (17.4% owned)	26,903	26,903
Other companies		
Quoted market value (1976 — \$6,353,000)	8,214	4,121
(1975 — \$4,509,000)	1,877	1,793
No quoted market value	390	322
Advances	<u>54,213</u>	<u>47,028</u>
Less accumulated depletion of mineral investments	8,839	7,956
	<u>\$45,374</u>	<u>\$39,072</u>

4. Other Assets

	1976	1975
	(thousands)	
Potash mine rehabilitation costs	\$10,156	\$10,156
Unamortized debt financing costs	3,400	3,291
Pre-production costs relating to new fertilizer facilities	3,535	—
Sundry	1,673	1,077
	<u>\$18,764</u>	<u>\$14,524</u>

Following flooding in 1970, the potash mine was rehabilitated and production resumed in March 1973. Legal counsel have advised that, in their opinion, there are good grounds for establishing liability against the contractors and legal proceedings are in progress to recover the loss.

5. Long-term Debt (excluding amount due within one year)

	1976 (thousands)	1975 (thousands)
Companies in Canada:		
Cominco Ltd.		
10% Serial Notes due 1982 to 1996, U.S. \$50,000,000	\$ 49,224	\$ —
8½% Sinking Fund debentures due 1991	61,740	64,850
10½% Sinking Fund debentures due 1995	60,000	60,000
Bank loan due 1979 to 1983	25,000	25,000
Export Import Bank of the United States, loan due 1977 to 1985, U.S. \$9,274,000	9,166	2,643
West Kootenay Power & Light Company, Limited		
5¾% First Mortgage bonds due 1985	6,957	7,250
Bank loan due 1978	11,000	8,000
Pacific Coast Terminals Co. Ltd.		
Bank loan due 1978	500	1,000
Other	1,184	1,486
	<u>224,771</u>	<u>170,229</u>

Company in United States:

Cominco American Incorporated		
5½% and 6¾% Notes due 1977 to 1980, U.S. \$3,900,000	4,212	5,832
7% Notes due 1977 to 1984, U.S. \$9,360,000	10,109	11,545
	<u>14,321</u>	<u>17,377</u>

Companies in Australia

	—	63
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Company in Denmark:

Greenex A/S		
Bank loans with interest at 1¼% above the London inter-bank rate due 1977 to 1979, U.S. \$14,400,000	14,412	24,555
	<u>\$253,504</u>	<u>\$212,224</u>

Payments due in 1977 \$14,080,000; 1978 \$23,819,000; 1979 \$17,370,000; 1980 \$9,526,000; 1981 \$11,554,000.

If translated into Canadian dollars at December 31, 1976 rates of exchange, long-term debt would increase by \$624,000 to \$254,128,000. This change is not necessarily indicative of the amount which will be repaid when the obligations are retired.

6. Capital

a) Authorized:—

- Preferred —
8,000,000 Preferred Shares with the par value of \$25 each issuable in series.
- Common —
30,000,000 shares of no par value.

	1976 (thousands)	1975 (thousands)
Issued and fully paid —		
Preferred — 2,000,000 \$2.00 Tax Deferred Exchangeable Shares Series A	\$50,000	\$ —
Common — 16,992,053 shares (1975 — 16,981,053)	33,578	33,284
	<u>\$83,578</u>	<u>\$33,284</u>

The Company's capital was amended by Supplementary Letters Patent dated April 22, 1976 by:

- i) increasing the authorized Common Shares without nominal or par value from 20,000,000 shares to 30,000,000 shares, and
- ii) creating 8,000,000 Preferred Shares with the par value of \$25 each, which may be issued in one or more series.

b) Preferred Shares:

The Company has constituted 2,000,000 of the Preferred Shares as "\$2.00 Tax Deferred Exchangeable Preferred Shares Series A" and 2,000,000 of the Preferred Shares as "\$2.4375 Preferred Shares Series B".

Each Series A Preferred Share is entitled to a fixed cumulative cash dividend of \$2.00 per annum payable semi-annually commencing December 1, 1976. A dividend of \$1.08 per share was paid on December 1, 1976 covering the period from the date of issue, May 18, 1976.

The Series A Shares are exchangeable into Series B Preferred Shares after June 1, 1988.

c) Shares issued during the year for cash:

Preferred — 2,000,000 \$2.00 Tax Deferred Exchangeable Shares Series A	\$50,000,000
Common — 11,000 shares (Note 6 (d))	294,000
	<u>\$50,294,000</u>

- d) In 1974 100,000 Common Shares of the Company were reserved for a stock option plan in favour of certain executives in the full-time employment of the Company or a subsidiary. To December 31, 1976, 70,700 shares were optioned (exercisable within five years of date of issue), leaving 29,300 shares available. Outstanding share options granted but not yet exercised are:

Granted	Option Price	Outstanding December 31, 1975	Exercised in 1976	Outstanding December 31, 1976
1974	\$25.42	11,800	4,000	7,800
1975	\$27.45	24,900	7,000	17,900
1976	\$34.99	—	—	22,900
		<u>36,700</u>	<u>11,000</u>	<u>48,600</u>

7. Commitments and Contingent Liabilities

- The Company and its subsidiaries have pension plans covering substantially all employees. At December 31, 1976, actuarial estimates for unfunded past service benefits amounted to \$61,000,000. The latest independent actuarial evaluation of most of the pension plans was December 31, 1975; for the remainder, the date was December 31, 1974. Total pension expense for the year was \$13,566,000 (1975 - \$15,596,000).
- At December 31, 1976; guarantees and commitments were as follows:
Guarantees \$45,000,000 of which \$33,600,000 was for bank loans of associated companies.
Unexpended amounts remaining on approved major capital projects — \$58,000,000.

8. Directors' and Officers' Remuneration

In 1976 total remuneration of \$94,000 was paid to fourteen (all) directors and \$1,186,000 to sixteen (all) officers of the Company including relatively insignificant amounts paid to them by subsidiaries. There were four officers who were also directors.

9. Anti-Inflation Programme

In 1975 the Canadian Government passed the Anti-Inflation Act. Under this legislation the Company and its Canadian subsidiaries are subject to controls on revenues, profits, employees' compensation and shareholders' dividends.

10. Reclassification

In 1976 costs of sales, applicable to European trading activities, where the Company acts as an agent and not as a principal, have been reclassified as a reduction of sales so that only margins are included in sales revenue. Other minor reclassifications have been made and the 1975 figures have been changed to conform with the 1976 presentation.

Notes to Statements of Supplementary Information (pages 24 to 27)

1. Consolidated Earnings

The accounting principles followed to determine consolidated earnings are explained in Note 1 to the Financial Statements under Summary of Significant Accounting Policies. Cominco's share of net earnings (losses) shown under each of the captions represents earnings as shown in the accounts of each operation adjusted by eliminating inter-divisional profits relating to inventories held at December 31 and for the interest of minority shareholders.

2. Unallocated Amounts

Certain investment income and corporate expenditures relating to the overall direction and management of Cominco's activities are not allocated to operations. Long-term debt interest and expense relates primarily to the operating divisions of the Company. Depreciation and depletion includes \$5.7 million being the charge for depleting mineral properties as explained in Note 1 to the Financial Statements under Summary of Significant Accounting Policies.

3. Working Capital

The management of cash and the payment of accounts for the operating divisions of Cominco is centralized at the corporate office. The divisions have been assigned the current assets represented by receivables, inventories and prepaid expenses for their respective operations. The balance of working capital elements are shown under the heading "Unallocated Amounts".

4. Undeveloped Properties and Construction in Progress

	1976	1975
	(thousands)	
Canada		
Fertilizers and Chemicals:		
Carseland Ammonia and Urea Plant		
(under construction)	\$139,350	\$ 58,884
Other Operations:		
Con Mine Shaft		
(under construction)	15,778	10,764
Undeveloped Mining Properties:		
Arvik Mines Ltd.	8,676	8,403
Valley Copper Mines Limited	20,829	20,516
Other	18,115	17,493
Other Countries:		
Undeveloped exploration properties	2,277	1,893
	<u>\$205,025</u>	<u>\$117,953</u>

5. Vestgron Mines Limited

Vestgron Mines Limited is the holding company for Greenex A/S. Under the terms of a Concession Agreement with the Danish Ministry for Greenland, dated January 22, 1971, Greenex A/S was granted exemption from payment of taxes until that company realized earnings to an amount approximately equivalent to total invested capital. It is expected that Greenex A/S will be subject to taxes in 1977.

Statement of Supplementary Information

Year ended December 31, 1976

(thousands)

	Integrated Metals	Pine Point Mines Ltd.
REVENUE		
Sales of products and services.....	\$273,358	\$ 85,972
Income from investments.....	—	1,331
	<u>273,358</u>	<u>87,303</u>
COSTS AND EXPENSES		
Cost of products and services.....	203,072	35,811
Distribution	20,925	27,267
Selling	2,090	226
General and administrative	5,607	1,799
General mineral exploration.....	—	32
Long-term debt interest and expense	—	—
Depreciation and depletion.....	4,442	6,657
	<u>236,136</u>	<u>71,792</u>
Earnings (losses) before the following.....	37,222	15,511
Income and resource taxes.....	12,109	6,200
	<u>25,113</u>	<u>9,311</u>
Equity in net earnings of associated companies.....	—	—
Net earnings (losses) before minority interests	<u>\$ 25,113</u>	<u>\$ 9,311</u>
Cominco's share of net earnings (losses) (Note 1)	<u>\$ 25,113</u>	<u>\$ 6,584</u>
WORKING CAPITAL (Note 3)		
Current assets	\$ 90,603	\$ 25,421
Current liabilities.....	—	8,471
	<u>\$ 90,603</u>	<u>\$ 16,950</u>
FIXED ASSETS		
Land, buildings and equipment	\$ 36,158	\$ 20,681
Development and pre-production expenditures.....	908	12,419
Undeveloped properties and construction in progress (Note 4).....	—	—
TOTAL FIXED ASSETS	<u>\$ 37,066</u>	<u>\$ 33,100</u>
PRINCIPAL PRODUCTS	Lead and Zinc	Lead and Zinc Concentrates
PRINCIPAL LOCATION OF ASSETS	British Columbia	Northwest Territories

Canada			Other Countries		Consolidated	
Fertilizers & Chemicals	Potash	Other Operations	Vestgron Mines Ltd. (Note 5)	Other Operations	Unallocated Amounts (Note 2)	
\$ 67,225	\$ 22,291	\$101,787	\$ 49,234	\$183,997	\$ —	\$725,005
—	—	287	348	3,427	2,433	6,801
<u>67,225</u>	<u>22,291</u>	<u>102,074</u>	<u>49,582</u>	<u>187,424</u>	<u>2,433</u>	<u>731,806</u>
53,109	13,753	78,065	18,476	104,133	—	460,269
8,303	143	686	4,665	16,603	—	64,600
1,978	327	625	1,275	8,065	—	14,586
1,908	919	5,596	1,693	2,085	4,819	24,426
—	—	170	496	2,539	4,412	7,649
—	—	1,496	3,163	1,125	18,578	23,558
3,657	4,397	5,251	4,242	12,671	7,007	48,256
<u>68,955</u>	<u>19,539</u>	<u>91,889</u>	<u>34,010</u>	<u>147,221</u>	<u>34,816</u>	<u>643,344</u>
(1,730)	2,752	10,185	15,572	40,203	(32,383)	88,462
(721)	7,203	5,653	—	18,517	(12,234)	37,300
(1,009)	(4,451)	4,532	15,572	21,686	(20,149)	51,162
—	—	5,224	—	747	—	5,971
<u>\$ (1,009)</u>	<u>\$ (4,451)</u>	<u>\$ 9,756</u>	<u>\$ 15,572</u>	<u>\$ 22,433</u>	<u>\$(20,149)</u>	<u>\$ 57,133</u>
<u>\$ (1,009)</u>	<u>\$ (4,451)</u>	<u>\$ 9,546</u>	<u>\$ 9,705</u>	<u>\$ 22,334</u>	<u>\$(20,149)</u>	<u>\$ 47,673</u>
\$ 32,841	\$ 7,021	\$ 29,631	\$ 29,581	\$139,643	\$ 11,831	\$333,427
—	—	26,673	14,860	32,547	90,640	131,200
<u>\$ 32,841</u>	<u>\$ 7,021</u>	<u>\$ 2,958</u>	<u>\$ 14,721</u>	<u>\$107,096</u>	<u>\$(78,809)</u>	<u>\$202,227</u>
\$ 16,316	\$ 57,444	\$ 61,490	\$ 36,806	\$ 47,893	\$ —	\$276,788
—	975	317	11,132	24,834	—	50,585
139,350	—	63,398	—	2,277	—	205,025
<u>\$155,666</u>	<u>\$ 58,419</u>	<u>\$125,205</u>	<u>\$ 47,938</u>	<u>\$ 75,004</u>	<u>\$ —</u>	<u>\$532,398</u>
Sulphates Phosphates Nitrates Ammonia	Potash	Electric Power Port facilities Steel, Gold Coal Manufacturing	Lead and Zinc Concentrates	Lead, Zinc Other Metals Phosphates Nitrates Ammonia		
British Columbia Alberta	Saskatchewan	British Columbia Alberta Ontario Northwest Territories	Greenland	United States Europe Australia Asia		

Statement of Supplementary Information

Year ended December 31, 1975

(thousands)

	Integrated Metals	Pine Point Mines Ltd.
REVENUE		
Sales of products and services	\$239,719	\$ 91,025
Income from investments	—	1,889
	<u>239,719</u>	<u>92,914</u>
COSTS AND EXPENSES		
Cost of products and services	187,221	28,022
Distribution	16,582	25,792
Selling	1,884	285
General and administrative	7,425	2,268
General mineral exploration	—	276
Long-term debt interest and expense	—	—
Depreciation and depletion	4,154	6,621
	<u>217,266</u>	<u>63,264</u>
Earnings (losses) before the following	22,453	29,650
Income and resource taxes	11,446	12,790
	<u>11,007</u>	<u>16,860</u>
Equity in net earnings of associated companies	—	—
Net earnings (losses) before minority interests	<u>\$ 11,007</u>	<u>\$ 16,860</u>
Cominco's share of net earnings (losses) (Note 1)	<u>\$ 11,007</u>	<u>\$ 13,148</u>
WORKING CAPITAL (Note 3)		
Current assets	\$ 87,941	\$ 37,119
Current liabilities	—	7,279
	<u>\$ 87,941</u>	<u>\$ 29,840</u>
FIXED ASSETS		
Land, buildings and equipment	\$ 36,932	\$ 21,595
Development and pre-production expenditures	1,010	14,035
Undeveloped properties and construction in progress (Note 4)	—	—
TOTAL FIXED ASSETS	<u>\$ 37,942</u>	<u>\$ 35,630</u>
PRINCIPAL PRODUCTS	Lead and Zinc	Lead and Zinc Concentrates
PRINCIPAL LOCATION OF ASSETS	British Columbia	Northwest Territories

Canada			Other Countries		Consolidated	
Fertilizers & Chemicals	Potash	Other Operations	Vestgron Mines Ltd. (Note 5)	Other Operations	Unallocated Amounts (Note 2)	
\$ 77,950	\$ 25,255	\$107,472	\$ 50,545	\$191,893	\$ —	\$707,346
—	—	306	541	4,764	2,442	8,250
<u>77,950</u>	<u>25,255</u>	<u>107,778</u>	<u>51,086</u>	<u>196,657</u>	<u>2,442</u>	<u>715,596</u>
44,739	12,007	73,305	18,316	99,032	—	393,538
6,973	123	1,030	4,564	15,320	—	58,980
1,815	331	776	1,104	7,444	—	13,639
2,397	1,268	4,987	1,998	1,501	1,739	23,583
—	—	76	124	1,848	4,700	7,024
—	—	1,229	4,835	1,359	12,423	18,678
3,805	4,267	5,376	4,316	11,143	6,090	47,541
<u>59,729</u>	<u>17,996</u>	<u>86,779</u>	<u>35,257</u>	<u>137,647</u>	<u>24,952</u>	<u>562,983</u>
18,221	7,259	20,999	15,829	59,010	(22,510)	152,613
7,835	9,992	10,333	—	28,851	(7,995)	74,700
10,386	(2,733)	10,666	15,829	30,159	(14,515)	77,913
—	—	8,247	—	(439)	—	8,262
<u>\$ 10,386</u>	<u>\$(2,733)</u>	<u>\$ 18,913</u>	<u>\$ 15,829</u>	<u>\$ 29,720</u>	<u>\$(14,515)</u>	<u>\$ 86,175</u>
<u>\$ 10,386</u>	<u>\$(2,733)</u>	<u>\$ 18,816</u>	<u>\$ 9,849</u>	<u>\$ 27,663</u>	<u>\$(14,515)</u>	<u>\$ 73,621</u>
\$ 29,836	\$ 7,822	\$ 31,426	\$ 29,707	\$129,952	\$ 10,081	\$332,275
—	—	22,589	13,176	36,221	89,628	133,158
<u>\$ 29,836</u>	<u>\$ 7,822</u>	<u>\$ 8,837</u>	<u>\$ 16,531</u>	<u>\$ 93,731</u>	<u>\$(79,547)</u>	<u>\$199,117</u>
\$ 17,878	\$ 59,459	\$ 56,850	\$ 36,803	\$ 48,257	\$ —	\$277,774
—	1,070	342	11,111	18,876	—	46,444
58,884	—	57,176	—	1,893	—	117,953
<u>\$ 76,762</u>	<u>\$ 60,529</u>	<u>\$114,368</u>	<u>\$ 47,914</u>	<u>\$ 69,026</u>	<u>\$ —</u>	<u>\$442,171</u>

Sulphates
Phosphates
Nitrates
Ammonia

Potash

Electric Power
Port facilities
Steel, Gold
Coal
Manufacturing

Lead and Zinc
Concentrates

Lead, Zinc
Other Metals
Phosphates
Nitrates
Ammonia

British Columbia
Alberta

Saskatchewan

British Columbia
Alberta
Ontario
Northwest
Territories

Greenland

United States
Europe
Australia
Asia

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Operations Offices — Vancouver, British Columbia

— Trail, British Columbia — Calgary, Alberta — Yellowknife, Northwest Territories

Research Centres — Trail, British Columbia — Sheridan Park, Ontario

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— Calgary, Alberta — Winnipeg, Manitoba — Toronto, Ontario

U.S.A. Cominco American Incorporated — Spokane, Washington — Chicago, Illinois

— Fargo, North Dakota — Minneapolis, Minnesota

— Lincoln, Nebraska

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Aberfoyle — Tasmania

Ardlethan — New South Wales

Black Angel — Greenland

Brock — Montana

Cleveland — Tasmania

Con — Northwest Territories

Fording Coal — British Columbia

H.B. — British Columbia

Magmont — Missouri

Pine Point Mines — Northwest Territories

Potash — Saskatchewan

Storey's Creek — Tasmania

Sullivan — British Columbia

METAL PRODUCTION

Cominco Ltd. — British Columbia

Cominco Binani Zinc Limited — India

Hawaiian Western Steel Limited — Hawaii

Mazak Limited — England

Mitsubishi Cominco Smelting

Company Limited — Japan

Western Canada Steel Limited—

British Columbia — Alberta

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Ontario — Manitoba — Alberta — British Columbia

Cominco American Incorporated — Washington

National Hardware Specialties Limited — Ontario

CHEMICAL AND FERTILIZER PRODUCTION

Cominco Ltd. — British Columbia — Alberta

Cominco American Incorporated — Nebraska — Texas

Cominco Binani Zinc Limited — India

